



October 12, 2001

The Honorable Bill Lyons, Secretary  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

**Re: Petition for Emergency Hearing to Consider Changes to the Northern and Southern California Milk Marketing and Stabilization Plans – Class 4a Pricing Provisions**

Dear Secretary Lyons:

California Dairies Inc. (CDI), on behalf of its producer – members, respectfully requests that the Department call a hearing on an emergency basis to consider making cost justified adjustments in the manufacturing allowances for Class 4a products.

In the letter of determination regarding the May 31, 2001, hearing on Class 4a and 4b manufacturing allowances, it was stated that the petitioners should “wait until a clearer picture emerges concerning long-term energy costs and the effects of conservation efforts”. The increases in energy costs that CDI has experienced in the past twelve months are very real and each month that goes by without an adjustment in the dairy product manufacturing allowances, costs our dairy farmers/owners hundreds of thousands of dollars.

Butter, nonfat dry milk powder and cheese compete in the national marketplace with manufacturers in states that have not experienced the change in energy costs that California has experienced. It is virtually impossible to recover these changes from the market place in the same way fluid milk and other locally marketed dairy products are able to do.

We are asking the Department to increase the manufacturing allowances used in the calculation of Class 4a milk prices pursuant to Article III, Section 300 (D) (1) and (2) of the Stabilization and Marketing Plans for Market Milk based on the difference between the utility costs in the last manufacturing cost study using 1999 data and the most current weighted average utility costs for Class 4a products compiled by the Department.

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Because of the urgency of our request, we are hopeful that if a hearing is granted, it be called to only consider adjustments to manufacturing allowances and not broadened to consider unrelated issues that will only expand the number of proposals, testimony and post hearing briefs the Department must review, analyze and consider before issuing a decision. Also, if a hearing is called narrow in scope, it should forgo holding a pre-hearing workshop, which will only lengthen the process, and time is extremely critical.

CDI and its 700 producer-owners urge the Department to call an emergency hearing to consider our proposed changes to the Class 4a manufacturing allowances as soon as possible.

Respectfully submitted,

CALIFORNIA DAIRIES, INC.



Gary L. Korsmeier  
President and Chief Executive Officer

GLK:mp

Cc: Dan Webb  
Kelly Krug  
David Ikari